

# Consolidated Financial Results for the Nine Months Ended December 31, 2022 [IFRS]



February 14, 2023

Company name: Shinwa Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange and Nagoya Stock Exchange

Code number: 3447

URL: <http://www.shinwa-jp.com/en/relation/index.html>

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Scheduled date of filing the quarterly securities report: February 14, 2023

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

## 1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
December 31, 2022	12,130	(4.0)	1,389	(26.8)	1,338	(27.4)	923	(27.0)
December 31, 2021	12,630	18.0	1,899	25.2	1,842	25.7	1,263	24.4

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Nine months ended				
December 31, 2022	932	(27.8)	914	(28.0)
December 31, 2021	1,291	28.6	1,270	24.6

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended				
December 31, 2022	67.06		67.05	
December 31, 2021	93.62		93.22	

## (2) Consolidated Financial Position

	Total assets		Total equity		Equity attributable to owners of parent		Equity attributable to owners of parent to total assets	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
As of December 31, 2022	21,501		15,483		15,465		71.9	
As of March 31, 2022	22,515		15,158		15,130		67.2	

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2022	Yen –	Yen 0.00	Yen –	Yen 43.00	Yen 43.00
Fiscal year ending March 31, 2023	–	0.00	–		
Fiscal year ending March 31, 2023 (Forecast)				32.00	32.00

Note: Revision to the dividends forecast announced most recently: Yes

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
Full year	Million yen 15,000	% (6.6)	Million yen 1,600	% (25.1)	Million yen 1,550	% (24.9)	Million yen 1,070	% (24.2)

	Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen 1,080	% (25.7)	Yen 77.69

Note: 1. Revision to the financial results forecast announced most recently: Yes

2. With regard to revisions to the consolidated financial results forecast, please refer to the “Notice Regarding Financial Results Forecast and Dividends Forecast for the Fiscal Year Ending March 31, 2023” announced today (February 14, 2023).

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in change in scope of consolidation): No
- (2) Changes in accounting policies and changes in accounting estimates
  - 1) Changes in accounting policies required by IFRS: No
  - 2) Changes in accounting policies other than 1) above: No
  - 3) Changes in accounting estimates: No
- (3) Total number of issued shares (common shares)
  - 1) Total number of issued shares at the end of the period (including treasury shares):
    - December 31, 2022: 14,103,000 shares
    - March 31, 2022: 14,103,000 shares
  - 2) Total number of treasury shares at the end of the period:
    - December 31, 2022: 197,118 shares
    - March 31, 2022: 207,234 shares
  - 3) Average number of shares during the period:
    - Nine months ended December 31, 2022: 13,901,762 shares
    - Nine months ended December 31, 2021: 13,791,494 shares

\*These consolidated financial results are outside the scope of quarterly review by Certified Public Accountants or auditing corporations.

\*Explanation of the proper use of financial results forecast and other notes

Financial results forecasts were prepared based on information available at the time of the announcement of this document, and actual results may differ from the forecasts owing to a wide range of factors. For the conditions that form the assumptions for the financial results forecasts, please refer to (4) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information in 1. Qualitative Information on Quarterly Financial Results for the Period under Review on page 4 of the Attachment.

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## 1. Qualitative Information on Quarterly Financial Results for the Period under Review

### (1) Explanation of Operating Results

During the nine months ended December 31, 2022, the Japanese economy continued to show signs of a gradual recovery in business confidence as a result of various policies and other measures implemented in anticipation of a new phase of the life with corona, although the effects of the novel coronavirus infection were still visible. On the other hand, the economic outlook remains unpredictable due to factors such as the continuing sharp rise in both consumer and resource prices caused by sharp exchange rate fluctuations, the impact of China's COVID-19 measures on the supply chain, and rapid fluctuations in exchange rates and interest rates.

In the construction industry, which is the main supply destination of our products, total construction investments remained firm, amounting to 34.2 trillion yen from April to November 2022 (up 1.6% year on year), according to “Comprehensive Construction Statistics” published by the Ministry of Land, Infrastructure, Transport and Tourism. However, there were postponements of construction starts or cancellations of projects caused by the surge in prices including costs of materials and construction work, and signs of stagnation were visible in the total floor area of residential and non-residential construction starts from April to November 2022 which stood at 78,270 thousand square meters (down 0.7% year-on-year), according to the “Building Starts Statistics” by the Ministry of Land, Infrastructure, Transport and Tourism. On the other hand, the Logistics Equipment Division saw an increasing demand for various types of transportation equipment in line with the recovery trend in the economy and business activities.

In such an environment, the Company worked to curb costs while revising sales prices to maintain profitability. In addition, taking seriously the inappropriate conduct by former employees of the Company disclosed on September 28, 2022, the Company has been working to promote measures to prevent recurrence, rebuild its compliance system, and restore customer confidence through a review of its internal system.

As a result of the above, revenue for the nine months ended December 31, 2022 amounted to ¥12,130 million (down 4.0% year on year). Operating profit was ¥1,389 million (down 26.8% year on year). Profit before tax amounted to ¥1,338 million (down 27.4 % year on year), and profit attributable to owners of parent amounted to ¥932 million (down 27.8 % year on year).

As the Group is comprised of a single business segment, information regarding the revenue of each Division is provided below.

#### 1) Scaffolding Equipment Division

In the Scaffolding Equipment Division, although demand continued for our mainstay wedge binding type scaffolding and next generation scaffolding against the backdrop of strong demand for construction work projects, the tendency to procure scaffolding equipment on a rental basis has increased due to factors such as the continuing surge in building materials prices. This resulted in continued strong demand from scaffolding equipment rental companies, but stuttering demand from companies having their own scaffolding equipment.

In addition, the business sites involved in the aforementioned misconduct saw a decline in revenue after revamping their sales and management systems and focusing on activities to correct their overall business operations as part of measures to address the incident.

As a result, revenue of the Scaffolding Equipment Division for the nine months ended December 31, 2022 amounted to ¥8,482 million (down 13.7% year on year).

#### 2) Logistics Equipment Division

In the Logistics Equipment Division, there were signs of revitalization of production activity and an increase in distribution volume in various industries. Reflecting these situations, demand was strong for repeated projects, leading to stable acquisition of orders. In addition, projects for pallets to transport materials for electrical equipment and projects for logistics equipment for the building materials field, a new industrial sector for the

Company, significantly contributed to the increase in revenue.

As a result, revenue of the Logistics Equipment Division for the nine months ended December 31, 2022 amounted to ¥3,648 million (up 30.4% year on year).

(Thousand yen)

Name of product and service		For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Scaffolding equipment	Wedge binding type scaffolding	6,052,441	5,155,426
	Next generation scaffolding	1,613,241	1,278,559
	Other scaffolding equipment	2,167,335	2,048,569
	Subtotal	9,833,019	8,482,555
Logistics equipment	Pallets	2,797,829	3,648,386
	Subtotal	2,797,829	3,648,386
Total		12,630,848	12,130,942

Note: Revenue stated in other scaffolding equipment and pallets includes revenue derived from leases under IFRS 16 of ¥315,492 thousand in the nine-month period of the previous fiscal year and ¥416,811 thousand in the period under review.

## (2) Explanation of Financial Position

### (Assets)

Current assets at the end of the third quarter of the fiscal year under review decreased by ¥976 million from the end of the previous fiscal year to ¥8,104 million, mainly due to factors such as a decrease in cash and cash equivalents of ¥1,522 million, despite an increase in inventories of ¥988 million. Additionally, non-current assets decreased by ¥37 million from the end of the previous fiscal year to ¥13,396 million. As a result, total assets decreased by ¥1,014 million from the end of the previous fiscal year to ¥21,501 million.

### (Liabilities)

Current liabilities at the end of the third quarter of the fiscal year under review decreased by ¥1,067 million from the end of the previous fiscal year to ¥2,485 million, mainly due to factors such as a decrease in trade and other payables of ¥543 million, a decrease in income taxes payable of ¥361 million, and a decrease in borrowings of ¥124 million. Additionally, non-current liabilities decreased by ¥272 million from the end of the previous fiscal year to ¥3,532 million. The decrease was primarily attributable to a decrease in borrowings of ¥243 million. As a result, total liabilities decreased by ¥1,339 million from the end of the previous fiscal year to ¥6,017 million.

### (Equity)

Total equity at the end of the third quarter of the fiscal year under review increased by ¥325 million from the end of the previous fiscal year to ¥15,483 million. This was mainly attributable to factors such as the posting of profit attributable to owners of parent of ¥932 million and dividends paid of ¥597 million.

## (3) Overview of Cash Flows

Cash and cash equivalents (hereinafter “cash”) at the end of the third quarter of the fiscal year under review was ¥1,938 million, a decrease of ¥1,522 million from the end of the previous fiscal year.

Cash flows from each activity for the nine months ended December 31, 2022 and their primary factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities for the nine months ended December 31, 2022 was ¥163 million, a decrease of ¥535 million year on year. The main factors affecting cash inflows were profit before tax of ¥1,338 million, depreciation and amortization of ¥453 million and a decrease in trade and other receivables of ¥150 million. The main factors affecting cash outflows were an increase in inventories of ¥988 million, income taxes paid of ¥775 million, and a decrease in trade and other payables of ¥221 million.

(Cash flows from investing activities)

Net cash used in investing activities for the nine months ended December 31, 2022 was ¥594 million, an increase of ¥23 million year on year. The main factor affecting cash outflows is purchase of property, plant and equipment of ¥556 million.

(Cash flows from financing activities)

Net cash used in financing activities for the nine months ended December 31, 2022 was ¥1,089 million, a decrease of ¥1,131 million year on year. The main factor affecting cash inflows is proceeds from short-term borrowings of ¥1,425 million, while the main factors affecting cash outflows are repayments of short-term borrowings of ¥1,554 million, dividends paid of ¥599 million, and repayments of long-term borrowings of ¥250 million.

(4) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

With regard to the consolidated financial results forecast for the period under review, please refer to the “Notice Regarding Financial Results Forecast and Dividends Forecast for the Fiscal Year Ending March 31, 2023” announced today (February 14, 2023).

## 2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

### (1) Condensed Quarterly Consolidated Statement of Financial Position

(Thousand yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	3,460,569	1,938,346
Trade and other receivables	2,759,028	2,595,050
Inventories	2,467,765	3,456,262
Other current assets	393,795	115,329
Total current assets	<u>9,081,159</u>	<u>8,104,989</u>
Non-current assets		
Property, plant and equipment	2,450,806	2,454,021
Right-of-use assets	324,090	252,674
Goodwill	9,221,769	9,221,769
Intangible assets	1,371,800	1,389,142
Other financial assets	55,942	67,132
Other non-current assets	10,115	11,877
Total non-current assets	<u>13,434,524</u>	<u>13,396,617</u>
Total assets	<u>22,515,684</u>	<u>21,501,607</u>



(Thousand yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	1,192,304	648,819
Borrowings	1,622,952	1,498,469
Income taxes payable	416,686	55,000
Other financial liabilities	125,254	116,432
Other current liabilities	195,211	166,559
Total current liabilities	<u>3,552,409</u>	<u>2,485,280</u>
Non-current liabilities		
Borrowings	3,234,979	2,991,430
Provisions	45,520	45,554
Other financial liabilities	237,062	182,740
Deferred tax liabilities	283,230	308,814
Other non-current liabilities	3,900	3,900
Total non-current liabilities	<u>3,804,693</u>	<u>3,532,440</u>
Total liabilities	<u>7,357,103</u>	<u>6,017,720</u>
Equity		
Share capital	153,576	153,576
Capital surplus	6,919,802	6,919,671
Retained earnings	8,211,397	8,546,117
Treasury shares	(163,101)	(155,130)
Other components of equity	9,065	961
Total equity attributable to owners of parent	<u>15,130,740</u>	<u>15,465,196</u>
Non-controlling interests	27,840	18,689
Total equity	<u>15,158,581</u>	<u>15,483,886</u>
Total liabilities and equity	<u>22,515,684</u>	<u>21,501,607</u>

(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income  
Condensed Quarterly Consolidated Statement of Profit or Loss  
For the Nine-Month Period

(Thousand yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Revenue	12,630,848	12,130,942
Cost of sales	<u>(9,247,483)</u>	<u>(9,211,006)</u>
Gross profit	3,383,365	2,919,936
Selling, general and administrative expenses	(1,466,681)	(1,499,333)
Other income	12,399	13,276
Other expenses	<u>(29,911)</u>	<u>(44,483)</u>
Operating profit	1,899,171	1,389,396
Finance income	409	641
Finance costs	<u>(57,200)</u>	<u>(51,824)</u>
Profit before tax	1,842,380	1,338,213
Income tax expense	<u>(578,581)</u>	<u>(415,176)</u>
Profit	<u>1,263,798</u>	<u>923,036</u>
Profit attributable to:		
Owners of parent	1,291,108	932,238
Non-controlling interests	<u>(27,310)</u>	<u>(9,201)</u>
Profit	1,263,798	923,036
Earnings per share		
Basic earnings per share (yen)	93.62	67.06
Diluted earnings per share (yen)	93.22	67.05

Condensed Quarterly Consolidated Statement of Comprehensive Income  
For the Nine-Month Period

(Thousand yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	1,263,798	923,036
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1	1,468
Total of items that will not be reclassified to profit or loss	1	1,468
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	6,731	104
Cash flow hedges	–	(9,626)
Total of items that may be reclassified to profit or loss	6,731	(9,522)
Other comprehensive income, net of tax	6,732	(8,053)
Comprehensive income	1,270,531	914,983
Comprehensive income attributable to		
Owners of parent	1,294,542	924,133
Non-controlling interests	(24,011)	(9,150)
Comprehensive income	1,270,531	914,983

(3) Condensed Quarterly Consolidated Statement of Changes in Equity  
For the Nine Months Ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
					Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Total other components of equity			
Balance at beginning of period	153,576	6,969,569	7,252,148	—	—	4,010	4,010	14,379,305	63,816	14,443,121
Profit	—	—	1,291,108	—	—	—	—	1,291,108	(27,310)	1,263,798
Other comprehensive income	—	—	—	—	1	3,432	3,434	3,434	3,298	6,732
Comprehensive income	—	—	1,291,108	—	1	3,432	3,434	1,294,542	(24,011)	1,270,531
Purchase of treasury shares	—	—	—	(299,267)	—	—	—	(299,267)	—	(299,267)
Dividends	—	—	(493,605)	—	—	—	—	(493,605)	—	(493,605)
Total transactions with owners	—	—	(493,605)	(299,267)	—	—	—	(792,872)	—	(792,872)
Balance at end of period	153,576	6,969,569	8,049,652	(299,267)	1	7,443	7,444	14,880,974	39,804	14,920,779

For the Nine Months Ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity	
					Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges				
Balance at beginning of period	153,576	6,919,802	8,211,397	(163,101)	(138)	9,203	—	9,065	15,130,740	27,840	15,158,581
Profit	—	—	932,238	—	—	—	—	—	932,238	(9,201)	923,036
Other comprehensive income	—	—	—	—	1,468	53	(9,626)	(8,104)	(8,104)	51	(8,053)
Comprehensive income	—	—	932,238	—	1,468	53	(9,626)	(8,104)	924,133	(9,150)	914,983
Dividends	—	—	(597,517)	—	—	—	—	—	(597,517)	—	(597,517)
Share-based payment transactions	—	(131)	—	7,971	—	—	—	—	7,839	—	7,839
Total transactions with owners	—	(131)	(597,517)	7,971	—	—	—	—	(589,678)	—	(589,678)
Balance at end of period	153,576	6,919,671	8,546,117	(155,130)	1,330	9,257	(9,626)	961	15,465,196	18,689	15,483,886

## (4) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Cash flows from operating activities		
Profit before tax	1,842,380	1,338,213
Depreciation and amortization	408,284	453,287
Finance income and finance costs	56,791	51,183
Loss (gain) on sale of fixed assets	—	(5,396)
Loss on disposal of property, plant and equipment	0	11
Share-based payment expenses	—	4,694
Decrease (increase) in inventories	(812,525)	(988,194)
Decrease (increase) in trade and other receivables	(71,923)	150,691
Increase (decrease) in trade and other payables	284,472	(221,779)
Other	(85,347)	190,659
Subtotal	1,622,131	973,371
Interest and dividends received	409	641
Interest paid	(31,839)	(34,926)
Income taxes paid	(895,939)	(775,869)
Income taxes refund	4,383	—
Net cash provided by (used in) operating activities	699,145	163,217
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	—	5,507
Purchase of property, plant and equipment	(468,466)	(556,733)
Purchase of intangible assets	(100,424)	(34,629)
Payments for acquisition of financial assets	(2,968)	(9,141)
Other	570	45
Net cash provided by (used in) investing activities	(571,288)	(594,950)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	1,425,432
Repayments of short-term borrowings	(86,782)	(1,554,979)
Repayments of long-term borrowings	(1,250,000)	(250,000)
Payments of financial expenditures	(8,137)	(7,808)
Dividends paid	(497,666)	(599,029)
Purchase of treasury shares	(299,267)	—
Repayments of lease liabilities	(78,754)	(102,801)
Net cash provided by (used in) financing activities	(2,220,608)	(1,089,186)
Effect of exchange rate changes on cash and cash equivalents	8,765	(1,304)
Net increase (decrease) in cash and cash equivalents	(2,083,985)	(1,522,223)
Cash and cash equivalents at beginning of period	4,738,197	3,460,569
Cash and cash equivalents at end of period	2,654,211	1,938,346

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in methods of presentation)

Condensed Quarterly Consolidated Statement of Profit or Loss

Effective from the current fiscal year, the Group has recorded a portion of expenses that had previously been classified as “cost of sales” as “selling, general and administrative expenses.” This change was made to more accurately represent the expenses incurred at our equipment distribution center in light of the content of business activities, after the expenses were reviewed to consider the relocation and expansion of the equipment distribution center for the purpose of strengthening the Group’s rental business under the Medium-Term Management Plan. To reflect this change in method of presentation, the condensed quarterly consolidated statement of profit or loss for the six-month period in the previous fiscal year has been reclassified.

As a result, ¥31,771 thousand which was presented as “cost of sales” in the condensed quarterly consolidated statement of profit or loss for the nine-month period in the previous fiscal year has been reclassified as “selling, general and administrative expenses.”

(Significant subsequent events)

There is no relevant information.